

ALBERT CITY-TRUESDALE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

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ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<i>NAME</i>	<i>TITLE</i>	<i>TERM EXPIRES</i>
Officials		
Bryan Beckman	President	2017
Deb Clausen	Vice President	2015
Jennifer Holt	Member	2017
Kayla McCarthy	Member	2017
Jessica Wood	Member	2015
School Officials		
Barbara Kady	Superintendent	
Kim Ellrich	District Secretary	
Michelle Dowd	District Treasurer	



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Albert City-Truesdale Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 34 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2014 on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Albert City-Truesdale Community School District's internal control over financial reporting and compliance.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 7, 2014

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Albert City-Truesdale Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,220,776 in fiscal year 2012 to \$2,240,548 in fiscal year 2013, while General Fund expenditures increased from \$2,145,089 in fiscal year 2012 to \$2,183,618 in fiscal year 2013. The District's General Fund balance increased from \$389,573 at the end of fiscal year 2012 to \$446,503 at the end of fiscal year 2013, a 14.6% increase.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in property tax and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. One reason the General Fund balance increased is because the negotiated salaries and benefits were less than the District's increase in General Fund revenue for fiscal year 2013.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$2,868 in fiscal year 2012 to \$1,865 in fiscal year 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Albert City-Truesdale Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the District's Financial Activities

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the District's activities consist of the following:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education instruction, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the cost of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds and 3) the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS

USING THIS ANNUAL REPORT (Continued)

Reporting the District's Financial Activities (Continued)

Fund Financial Statements (continued)

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012:

Figure A-1 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Assets							
Current and other assets	\$ 4,472,408	\$ 4,104,082	\$ 8,424	\$ 12,277	\$ 4,480,832	\$ 4,116,359	8.9%
Capital assets, net of accumulated depreciation	926,815	951,422	10,431	12,451	937,246	963,873	-2.8%
Total assets	5,399,223	5,055,504	18,855	24,728	5,418,078	5,080,232	6.7%
Liabilities							
Long-term liabilities	73,380	148,096	-	-	73,380	148,096	-50.5%
Other liabilities	2,403,447	2,400,475	428	5,318	2,403,875	2,405,793	-0.1%
Total liabilities	2,476,827	2,548,571	428	5,318	2,477,255	2,553,889	-3.0%
Net Position							
Net investment in capital assets	926,815	951,422	10,431	12,451	937,246	963,873	-2.8%
Restricted	1,653,817	1,358,143	-	-	1,653,817	1,358,143	21.8%
Unrestricted	341,764	197,368	7,996	6,959	349,760	204,327	71.2%
Total net position	\$ 2,922,396	\$ 2,506,933	\$ 18,427	\$ 19,410	\$ 2,940,823	\$ 2,526,343	16.4%

The District's total net position increased 16.4%, or \$414,480, from the prior year. The largest portion of the District's net position is restricted for capital projects. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$295,674, or 21.8%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$145,433, or 71.2%. This increase in unrestricted net position was primarily a result of the decrease in the District's long-term liabilities recorded in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012:

Figure A-2 Changes in Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2013	2012	2013	2012	2013	2012	2012-2013	
Revenues:								
Program revenues:								
Charges for service	\$ 109,722	\$ 131,981	\$ 22,975	\$ 24,627	\$ 132,697	\$ 156,608	-15.3%	
Operating grants, contributions and restricted interest	305,340	305,440	42,176	39,417	347,516	344,857	0.8%	
Capital grants, contributions and restricted interest	35,905	-	-	-	35,905	-	100%	
General revenues:								
Property tax	1,648,410	1,580,886	-	-	1,648,410	1,580,886	4.3%	
Statewide sales, services and use tax	153,276	162,967	-	-	153,276	162,967	-5.9%	
Unrestricted state grants	525,207	452,875	-	-	525,207	452,875	16.0%	
Unrestricted investment earnings	1,865	2,868	-	-	1,865	2,868	-35.0%	
Total revenues	2,779,725	2,637,017	65,151	64,044	2,844,876	2,701,061	5.3%	
Program expenses:								
Instruction	1,577,119	1,401,977	-	-	1,577,119	1,401,977	12.5%	
Support services	659,818	784,460	-	-	659,818	784,460	-15.9%	
Non-instructional programs	-	-	66,134	69,031	66,134	69,031	-4.2%	
Other expenditures	127,325	266,890	-	-	127,325	266,890	-52.3%	
Total expenses	2,364,262	2,453,327	66,134	69,031	2,430,396	2,522,358	-3.6%	
Increase (decrease) in net position before transfer	415,463	183,690	(983)	(4,987)	414,480	178,703	131.9%	
Transfers	-	(7,502)	-	7,502	-	-	0.0%	
Increase (decrease) in net position	415,463	176,188	(983)	2,515	414,480	178,703	131.9%	
Net position beginning of year	2,506,933	2,330,745	19,410	16,895	2,526,343	2,347,640	7.6%	
Net position end of year	\$ 2,922,396	\$ 2,506,933	\$ 18,427	\$ 19,410	\$ 2,940,823	\$ 2,526,343	16.4%	

In fiscal year 2013, property tax and unrestricted state grants accounted for 78.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were \$2,844,876 million, of which \$2,779,725 million was for governmental activities and \$65,151 was for business type activities. As shown above, the District as a whole experienced a 5.3% increase in revenues and a 3.6% decrease in expenses. Property tax increased \$67,524. The decrease in expenses is related to decreased expenditures in support services and other expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Revenues for governmental activities were \$2,779,725 and expenses were \$2,364,262 for the year ended June 30, 2013. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total net cost of the District's major governmental activities, instruction, support services, other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-3						
	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instructional	\$ 1,577,119	\$ 1,401,977	12.5%	\$ 1,255,075	\$ 1,056,832	18.8%
Support	659,818	784,460	-15.9%	622,170	781,849	-20.4%
Other expenses	127,325	266,890	-52.3%	36,050	177,225	-79.7%
Total	\$ 2,364,262	\$ 2,453,327	-3.6%	\$ 1,913,295	\$ 2,015,906	-5.1%

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$109,722.
- Federal and state government subsidized certain programs with grants and contributions totaling \$305,340.
- The net cost of governmental activities was financed with \$1,801,686 in property and other taxes and \$525,207 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$65,151 representing a 1.7% increase over the prior year, while expenses totaled \$66,134, a 4.2% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for daily lunch and breakfasts and federal and state reimbursements.

During the year ended June 30, 2013, the District received additional federal dollars relating to the food and nutrition program. This increase resulted in increased revenue to the School Nutrition Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Albert City-Truesdale Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,068,961, well above last year's ending fund balances of \$1,703,607. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to a \$243,251 increase in capital project fund balances due to decreases in capital expenditures during the fiscal year.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Growth during the year in tax and state grants resulted in an increase in revenues. The increase in revenues was more than enough to offset the District's increase in General Fund expenditures, allowing the District to carryover a fund balance to meet its financial obligations during the next year.
- The General Fund balance increased from \$389,573 to \$446,503 due, in part, to increases in unrestricted state grants and the current year property taxes.
- The Capital Projects Fund balance includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Project Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance increased from \$349,686 at June 30, 2012 to \$514,976 at June 30, 2013. This increase was due to decreased expenditures in building improvements and equipment during the fiscal year.
- The Statewide Sales, Services and Use Tax fund balance increased from \$823,127 at June 30, 2012 to \$901,088 at June 30, 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$19,410 at June 30, 2012 to \$18,427 at June 30, 2013, representing a decrease of approximately 5.1%. For fiscal year 2013, the District received additional federal food and nutrition program dollars. The District also focused on reducing operating cost during the fiscal year. These changes resulted in an increase in revenue and a reduction in operating expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUDGETARY HIGHLIGHTS

The District's total revenues were \$34,019 less than total budgeted revenues, a variance of less than 1.2%. Even though local tax revenue increased in fiscal year 2013, a reduction in state and intermediate resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$937,246, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This is a net decrease of approximately 2.8% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$123,860.

The original cost of the District's capital assets was approximately \$3.1 million. Governmental funds account for \$3,032,256 million, with the remainder of \$73,367 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$68,756 (net) at June 30, 2013, compared to \$77,349 (net) reported at June 30, 2012. This decrease resulted from depreciation expense exceeding acquisitions in the improvements other than buildings category.

Figure A-4							
Capital Assets, net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 31,066	\$ 31,066	\$ -	\$ -	\$ 31,066	\$ 31,066	0.0%
Buildings	395,852	402,302	-	-	395,852	402,302	-1.6%
Improvements other than buildings	68,756	77,349	-	-	68,756	77,349	-11.1%
Furniture and equipment	431,141	440,705	10,431	12,451	441,572	453,156	-2.6%
Total	\$ 926,815	\$ 951,422	\$ 10,431	\$ 12,451	\$ 937,246	\$ 963,873	-2.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Debt

At June 30, 2013, the District's had \$73,380 in total long-term obligations. This represents a decrease of approximately 50.5% from the previous year (See Figure A-5). Additional information about the District's long-term debt obligations is presented in Note 4 to the financial statements.

	Figure A-5		
	Total School District		Percentage
	2013	2012	Change
Compensated absences	\$ 2,292	\$ 1,502	52.6%
Early retirement	31,049	85,354	-63.6%
Net OPEB liability	40,039	61,240	-34.6%
Total	\$ 73,380	\$ 148,096	-50.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District has experienced an annual increase in the number of students enrolled in The District during fiscal year 2013. In addition, next fiscal year the District will see an increase in enrollment of 8 students and since controlled funding is driven by the number of students enrolled, increased funding from the state is anticipated for the upcoming fiscal year.
- The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth increased 2% for fiscal year 2013. Costs of providing a quality education program continues to rise. Funding increases adequate to meet increased district expenses will be needed to continue to support high quality education programs.
- The District continues to whole grade share students grades 7-12 with Sioux Central School District.
- The District will continue to use the Local Option Sales Tax Levy. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Michelle Dowd, Board Treasurer, Albert City-Truesdale Community School District, 300 Orchard St. Albert City, Iowa, 50501, Phone number: 712-843-5416, Fax number: 712-843-2195, or mdowd@aea8.k12.ia.us for email.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

Statement of Net Position
Year ended June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,769,142	\$ 6,899	\$ 2,776,041
Receivables:			
Property tax:			
Delinquent	13,344	-	13,344
Succeeding year	1,597,648	-	1,597,648
Due from other governments	92,274	-	92,274
Inventories	-	1,525	1,525
Capital assets, net of accumulated depreciation	926,815	10,431	937,246
Total assets	5,399,223	18,855	5,418,078
Liabilities			
Accounts payable	271,457	-	271,457
Other payables	413,357	-	413,357
Salaries and benefits payable	120,985	-	120,985
Deferred revenue:			
Succeeding year property tax	1,597,648	-	1,597,648
Other	-	428	428
Long-term liabilities:			
Portion due or payable within one year:			
Early retirement	15,525	-	15,525
Compensated absences	2,292	-	2,292
Portion due or payable after one year:			
Early retirement obligation	15,524	-	15,524
Net OPEB liability	40,039	-	40,039
Total liabilities	2,476,827	428	2,477,255
Net Position			
Net investment in capital assets	926,815	10,431	937,246
Restricted for:			
Categorical funding	31,359	-	31,359
Management levy purposes	188,735	-	188,735
Student activities	17,659	-	
Physical plant and equipment	1,416,064	-	1,416,064
Unrestricted	341,764	7,996	349,760
Total net position	2,922,396	18,427	2,940,823
Total liabilities and net position	\$ 5,399,223	\$ 18,855	\$ 5,418,078

See Notes to Financial Statements.

Albert City Truesdale Community School District

Statement of Activities
Year ended June 30, 2013

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Services		
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,247,477	\$ 101,411	\$ 188,125	\$ -
Special instruction	264,917	-	10,861	-
Other instruction	64,725	3,152	18,495	-
	<u>1,577,119</u>	<u>104,563</u>	<u>217,481</u>	<u>-</u>
Support services:				
Student	13,738	-	-	-
Instructional staff	5,927	-	-	-
Administration	226,278	-	-	-
Operation and maintenance of plant	230,550	1,743	-	-
Transportation	183,325	-	-	35,905
	<u>659,818</u>	<u>1,743</u>	<u>-</u>	<u>35,905</u>
Other expenditures:				
Facilities acquisitions	13,118	3,416	-	-
AEA flowthrough	87,859	-	87,859	-
Depreciation (unallocated)	26,348	-	-	-
	<u>127,325</u>	<u>3,416</u>	<u>87,859</u>	<u>-</u>
Total governmental activities	<u>2,364,262</u>	<u>109,722</u>	<u>305,340</u>	<u>35,905</u>
Business type activities:				
Non-instructional programs:				
Food service operations	66,134	22,975	42,176	-
Total business type activities	<u>66,134</u>	<u>22,975</u>	<u>42,176</u>	<u>-</u>
Total	<u>\$ 2,430,396</u>	<u>\$ 132,697</u>	<u>\$ 347,516</u>	<u>\$ 35,905</u>

(Continued on next page)

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (957,941)	\$ -	\$ (957,941)
(254,056)	-	(254,056)
(43,078)	-	(43,078)
(1,255,075)	-	(1,255,075)
(13,738)	-	(13,738)
(5,927)	-	(5,927)
(226,278)	-	(226,278)
(228,807)	-	(228,807)
(147,420)	-	(147,420)
(622,170)	-	(622,170)
(9,702)	-	(9,702)
-	-	-
(26,348)	-	(26,348)
(36,050)	-	(36,050)
(1,913,295)	-	(1,913,295)
-	(983)	(983)
-	(983)	(983)
\$ (1,913,295)	\$ (983)	\$ (1,914,278)

Albert City Truesdale Community School District

**Statement of Activities
Year ended June 30, 2013**

	Program Revenues		
	Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses	Services		
General Revenues:			
Property taxes levied for:			
General purposes			
Capital outlay			
Statewide sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			
See Notes to Financial Statements.			

Exhibit B
(Continued)

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ 1,432,373	\$ -	\$ 1,432,373
216,037	-	216,037
153,276	-	153,276
525,207	-	525,207
1,865	-	1,865
2,328,758	-	2,328,758
415,463	(983)	414,480
2,506,933	19,410	2,526,343
\$ 2,922,396	\$ 18,427	\$ 2,940,823

Balance Sheet
Governmental Funds
Year ended June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 1,162,146	\$ 1,402,280	\$ 204,716	\$ 2,769,142
Receivables:				
Property tax:				
Delinquent	9,917	1,749	1,678	13,344
Succeeding year	1,226,045	221,602	150,001	1,597,648
Due from other governments	80,239	12,035	-	92,274
Total assets	\$ 2,478,347	\$ 1,637,666	\$ 356,395	\$ 4,472,408
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 271,457	\$ -	\$ -	\$ 271,457
Other payables	413,357	-	-	413,357
Salaries and benefits payable	120,985	-	-	120,985
Deferred revenue:				
Succeeding year property tax	1,226,045	221,602	150,001	1,597,648
Total liabilities	2,031,844	221,602	150,001	2,403,447
Fund balances:				
Restricted for:				
Categorical funding	31,359	-	-	31,359
Management levy purposes	-	-	188,735	188,735
Student activities	-	-	17,659	17,659
School infrastructure	-	901,088	-	901,088
Physical plant and equipment	-	514,976	-	514,976
Unassigned	415,144	-	-	415,144
Total fund balances	446,503	1,416,064	206,394	2,068,961
Total liabilities and fund balances	\$ 2,478,347	\$ 1,637,666	\$ 356,395	\$ 4,472,408

See Notes to Financial Statements.

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
Year ended June 30, 2013**

Total governmental fund balances (page 16) \$ 2,068,961

***Amounts reported for governmental activities in the Statement of Net Position
are different because:***

Capital assets used in governmental activities are not current financial resources and,
therefore, are not reported in the funds. 926,815

Long-term liabilities, including compensated absences and other postemployment benefits,
are not due and payable in the current period and, therefore, are not reported in the funds. (73,380)

Net position of governmental activities (page 13) \$ 2,922,396

See Notes to Financial Statements.

**Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2013**

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,306,725	\$ 369,313	\$ 125,647	\$ 1,801,685
Tuition	101,411	-	-	101,411
Other	7,947	39,321	4,896	52,164
State sources	755,385	-	-	755,385
Federal sources	69,080	-	-	69,080
Total revenues	2,240,548	408,634	130,543	2,779,725
Expenditures:				
Current:				
Instruction:				
Regular	1,261,617	-	30,169	1,291,786
Special	264,917	-	-	264,917
Other	63,123	-	1,602	64,725
	1,589,657	-	31,771	1,621,428
Student support services:				
Student	10,722	10,540	-	21,262
Instructional staff	5,927	-	-	5,927
Administration	199,084	26,378	3,446	228,908
Operation and maintenance of plant	147,274	36,456	25,240	208,970
Transportation	143,095	52,139	4,913	200,147
	506,102	125,513	33,599	665,214
Non-instructional	-	-	-	-
Other expenditures:				
Facilities acquisition	-	39,870	-	39,870
AEA flowthrough	87,859	-	-	87,859
	87,859	39,870	-	127,729
Total expenditures	2,183,618	165,383	65,370	2,414,371
Change in fund balances	56,930	243,251	65,173	365,354
Fund balances, beginning of year	389,573	1,172,813	141,221	1,703,607
Fund balances, end of year	\$ 446,503	\$ 1,416,064	\$ 206,394	\$ 2,068,961

See Notes to Financial Statements.

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
Year ended June 30, 2013**

Change in fund balances - total governmental funds (page 18) \$ 365,354

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 101,854	
Disposal of capital assets	(4,338)	
Depreciation expense	<u>(122,123)</u>	(24,607)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	53,515	
Other post employment benefits	<u>21,201</u>	<u>74,716</u>

Change in net position of governmental activities (page 14) \$ 415,463

See Notes to Financial Statements.

Albert City-Truesdale Community School District**Exhibit G****Statement of Net Position
Proprietary Funds
Year ended June 30, 2013**

	School Nutrition
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	\$ 6,899
Inventories	1,525
Total current assets	8,424
Noncurrent assets:	
Capital assets, net of accumulated depreciation	10,431
Total noncurrent assets	10,431
Total assets	18,855
Liabilities	
Current liabilities:	
Deferred revenue	428
Total liabilities	428
Net Position	
Investment in capital assets	10,431
Unrestricted	7,996
Total net position	\$ 18,427

See Notes to Financial Statements.

Albert City-Truesdale Community School District

Exhibit H

**Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Fund
Year ended June 30, 2013**

	<u>School Nutrition</u>
Operating revenues:	
Local resources:	
Charges for service	\$ 22,975
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	26,979
Benefits	4,564
Purchased services	28,609
Supplies	4,245
Depreciation	1,737
Total operating expenses	<u>66,134</u>
Operating (loss)	<u>(43,159)</u>
Non-operating revenues:	
State sources	647
Federal sources	41,529
Total non-operating revenues	<u>42,176</u>
(Decrease) in net position	(983)
Net position beginning of year	<u>19,410</u>
Net position end of year	<u>\$ 18,427</u>

See Notes to Financial Statements.

Albert City-Truesdale Community School District

Exhibit I

**Statement of Cash Flows
Proprietary Fund
Year ending June 30, 2013**

	School Nutrition
Cash Flows from Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 22,975
Cash paid to employees for services	(36,433)
Cash paid to supplies for goods or services	(29,523)
Net cash (used by) operating activities	(42,981)
Cash Flow from Non-capital Financing Activities:	
State grants received	647
Federal grants received	38,259
Net cash provided by non-capital financing activities	38,906
Net (decrease) in cash and cash equivalents	(4,075)
Cash and cash equivalents beginning of year	10,974
Cash and cash equivalents end of year	<u><u>\$ 6,899</u></u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (43,159)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	3,270
Depreciation	1,737
Decrease in inventories	(222)
Decrease in salaries and benefits payable	(4,607)
Net cash (used by) operating activities	<u><u>\$ (42,981)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$3,270 of federal commodities.

See Notes to Financial Statements.

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Albert City-Truesdale Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education. The geographic area served includes the cities of Albert City and Truesdale, Iowa and the predominate agricultural territory in Buena Vista and Pocahontas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Albert City-Truesdale Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Albert City-Truesdale Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds, even though the latter is excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District also reports the following nonmajor proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting:

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and other accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year in which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued):

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from the restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. **Assets, Liabilities and Fund Equity:**

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (Continued):

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1^{1/2}% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property and furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than building	3,500
Furniture and equipment:	
School and nutrition	500

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Capital assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Building improvement	5-20
Furniture and equipment	5-15

Salaries and Benefits Payable – Payroll and related expenses for all licensed staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use or payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Position representing the District's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Fund Equity (continued):

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Subsequent Events

Subsequent events have been evaluated through January 7, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2013, were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,818,276 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standards & Poor's Financial Services.

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 31,066	\$ -	\$ -	\$ 31,066
Total capital assets not being depreciated	31,066	-	-	31,066
Capital assets being depreciated:				
Buildings	1,387,090	-	-	1,387,090
Improvements other than buildings	219,895	13,956	-	233,851
Furniture and equipment	1,351,841	87,898	59,490	1,380,249
Total capital assets being depreciated	2,958,826	101,854	59,490	3,001,190
Less accumulated depreciation for:				
Buildings	984,788	6,450	-	991,238
Improvements other than buildings	142,546	22,549	-	165,095
Furniture and equipment	911,136	93,124	55,152	949,108
	2,038,470	122,123	55,152	2,105,441
Total capital assets being depreciated, net	920,356	(20,269)	(4,338)	895,749
Governmental activities capital assets, net	\$ 951,422	\$ (20,269)	\$ (4,338)	\$ 926,815
Business type activities:				
Furniture and equipment	\$ 73,367	\$ -	\$ -	\$ 73,367
Less accumulated depreciation	61,199	1,737	-	62,936
Business type activities capital asset, net	\$ 12,168	\$ (1,737)	\$ -	\$ 10,431

NOTES TO FINANCIAL STATEMENTS

Note 3. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 36,689

Support services:

Administration 1,723

Operation and maintenance of plant 20,385

Transportation 36,978

95,775

Unallocated

26,348

Total depreciation expense -
governmental activities

\$ 122,123

Business type activities:

Food service operations \$ 1,737

Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement obligation	\$ 85,354	\$ -	\$ 54,305	\$ 31,049	\$ 15,525
Compensated absences	1,502	2,242	1,452	2,292	2,292
Net OPEB liability	61,240	7,959	29,160	40,039	-
	\$ 148,096	\$ 10,201	\$ 84,917	\$ 73,380	\$ 17,817

Note 5. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$75,289, \$68,968 and \$61,539, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Postemployment Retirement Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 13 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 7,647
Interest on net OPEB obligation	2,756
Adjustment to annual required contribution	(2,444)
Annual OPEB cost	<u>7,959</u>
Contributions made	<u>(29,160)</u>
Decrease in net OPEB obligation	<u>(21,201)</u>
Net OPEB obligation beginning of year	<u>61,240</u>
Net OPEB obligation end of year	<u><u>\$ 40,039</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$29,160 to the medical plan. Plan members eligible for benefits contributed \$14,518 or 50% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
2011	\$ 32,000	13.68%	\$ 33,620
2012	32,000	13.68	61,240
2013	7,959	366.38	40,039

NOTES TO FINANCIAL STATEMENTS

Note 6. Other Postemployment Retirement Benefits (OPEB) (Continued)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$72,564, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$72,564. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$811,910, and the ratio of the UAAL to covered payroll was 8.94%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected medical trend rate is 5%; however, for fiscal year 2013 the rate was projected at 3% and increased by 1% until the ultimate medical trend rate was achieved. The ultimate medical trend rate is 5%.

Mortality rates are from the U.S. table prepared by the National Center for Health Statistics, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$603 per month for retirees less than age 65 and \$647 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 7. Risk Management

Albert City-Truesdale Community School District is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$87,859 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District's reserve fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

	Amount
Returning dropout and dropout prevention program	\$ 13,130
Education quality professional development	<u>18,229</u>
	<u>\$ 31,359</u>

ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Albert City-Truesdale Community School District

**Budgetary Comparison Schedule of
Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplemental Information
Year ended June 30, 2013**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 1,955,260	\$ 22,975	\$ 1,978,235
Intermediate sources	-	-	-
State sources	755,385	647	756,032
Federal sources	69,080	41,529	110,609
Total revenues	<u>2,779,725</u>	<u>65,151</u>	<u>2,844,876</u>
Expenditures/Expenses:			
Current:			
Instruction	1,621,428	-	1,621,428
Student support services	665,214	-	665,214
Non-instructional programs	-	66,134	66,134
Other expenditures	127,729	-	127,729
Total expenditures/expenses	<u>2,414,371</u>	<u>66,134</u>	<u>2,480,505</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	365,354	(983)	364,371
Other financing sources, net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	365,354	(983)	364,371
Balance, beginning of year	<u>1,703,607</u>	<u>19,410</u>	<u>1,723,017</u>
Balance, end of year	<u>\$ 2,068,961</u>	<u>\$ 18,427</u>	<u>\$ 2,087,388</u>

See accompanying Independent Auditor's Report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 1,833,413	\$ 1,833,413	\$ 144,822
147,600	147,600	(147,600)
795,182	795,182	(39,150)
102,700	102,700	7,909
2,878,895	2,878,895	(34,019)

1,805,000	1,805,000	183,572
782,280	782,280	117,066
72,885	72,885	6,751
494,150	494,150	366,421
3,154,315	3,154,315	673,810

(275,420)	(275,420)	639,791
-	-	-

(275,420)	(275,420)	639,791
1,723,015	1,723,015	2
\$ 1,447,595	\$ 1,447,595	\$ 639,793

Albert City-Truesdale Community School District

Notes to Required Supplementary Information – Budgetary Reporting Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

For the year ended June 30, 2013, the District's expenditures/expenses did not exceed the approved budget.

Albert City-Truesdale Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
Required Supplemental Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2011	July 1, 2009	\$ -	\$ 293,000	\$ 293,000	0.00	\$ 590,000	49.66%
2012	July 1, 2009	-	293,000	293,000	0.00	579,000	50.60%
2013	July 1, 2012	-	72,564	72,564	0.00	811,910	8.94%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

Combining Balance Sheet
Nonmajor Governmental Funds
Year ended June 30, 2013

		Special Revenue Funds		
		Management	Student Activity	
		Levy	Fund	Total
Assets				
Cash and pooled investments		\$ 187,057	\$ 17,659	\$ 204,716
Receivables:				
Property tax:				
Delinquent		1,678	-	1,678
Succeeding year		150,001	-	150,001
Total assets		\$ 338,736	\$ 17,659	\$ 356,395
Liabilities and Fund Balances				
Liabilities:				
Succeeding year property tax		\$ 150,001	\$ -	\$ 150,001
Total liabilities		150,001	-	150,001
Fund balances:				
Restricted for:				
Management levy purposes		188,735	-	188,735
Student activities		-	17,659	17,659
Total fund balances		188,735	17,659	206,394
Total liabilities and fund balances		\$ 338,736	\$ 17,659	\$ 356,395

See Accompanying Independent Auditor's Report.

**Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2013**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 125,647	\$ -	\$ 125,647
Other	1,744	3,152	4,896
Total revenues	127,391	3,152	130,543
Expenditures:			
Current:			
Instruction:			
Regular	30,169	-	30,169
Other	-	1,602	1,602
Support services:			
Administration	3,446	-	3,446
Operation and maintenance of plant	25,240	-	25,240
Student Transportation	4,913	-	4,913
Total expenditures	63,768	1,602	65,370
Excess of revenues over expenditures	63,623	1,550	65,173
Other financing sources:			
Operating transfers in	-	-	-
Excess of revenues and other financing uses over expenditures	63,623	1,550	65,173
Fund balances beginning of year	125,112	16,109	141,221
Fund balances end of year	\$ 188,735	\$ 17,659	\$ 206,394

See accompanying Independent Auditor's Report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Commerce club	\$ 11,082	\$ 1,194	\$ 1,140	\$ 11,136
Demers kids	120	-	-	120
Tag club	710	-	-	710
Student council	4,197	1,958	462	5,693
Total	\$ 16,109	\$ 3,152	\$ 1,602	\$ 17,659

See accompanying Independent Auditor's Report.

Combining Balance Sheet
Capital Project Accounts
Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 889,053	\$ 513,227	\$ 1,402,280
Receivables:			
Property tax:			
Delinquent	-	1,749	1,749
Succeeding year	-	221,602	221,602
Due from other governments	12,035	-	12,035
Total assets	\$ 901,088	\$ 736,578	\$ 1,637,666
Liabilities and Fund Balances			
Liabilities:			
Succeeding year property tax	\$ -	\$ 221,602	\$ 221,602
Total liabilities	-	221,602	221,602
Fund balances:			
Restricted for:			
School infrastructure	901,088	-	901,088
Physical plant and equipment	-	514,976	514,976
Total fund balances	901,088	514,976	1,416,064
Total liabilities and fund balances	\$ 901,088	\$ 736,578	\$ 1,637,666

See Accompanying Independent Auditor's Report.

**Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Projects Accounts
Year ended June 30, 2013**

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 153,276	\$ 216,037	\$ 369,313
Other	35,904	3,417	39,321
Total revenues	189,180	219,454	408,634
Expenditures:			
Support services:			
Student	10,540	-	10,540
Administration	26,378	-	26,378
Operation and maintenance of plant	-	36,456	36,456
Transportation	52,139	-	52,139
Other expenditures:			
Facilities acquisition	22,162	17,708	39,870
Total expenditures	111,219	54,164	165,383
Excess (deficiency) of revenues and other financing uses over (under) expenditures	77,961	165,290	243,251
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing uses over (under) expenditures	77,961	165,290	243,251
Fund balances beginning of year	823,127	349,686	1,172,813
Fund balances end of year	\$ 901,088	\$ 514,976	\$ 1,416,064

See accompanying Independent Auditor's Report.

Albert City-Truesdale Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years**

	2013	2012	2011	2010
Revenues:				
Local sources				
Local tax	\$ 1,801,685	\$ 1,743,853	\$ 1,618,335	\$ 1,437,441
Tuition	101,411	95,305	86,520	47,141
Other	52,164	39,546	76,022	70,004
State sources	755,385	686,970	805,999	670,379
Federal sources	69,080	71,343	140,192	200,717
Total	\$ 2,779,725	\$ 2,637,017	\$ 2,727,068	\$ 2,425,682
Expenditures:				
Instruction:				
Regular	\$ 1,291,786	\$ 1,240,859	\$ 1,282,345	\$ 1,276,901
Special	264,917	199,881	207,349	202,491
Other	64,725	141,032	132,949	139,889
Support services:				
Student	21,262	15,661	14,777	15,612
Instructional staff	5,927	6,262	44,785	21,357
Administration	228,908	271,271	216,421	293,041
Operation and maintenance	208,970	170,755	177,636	180,544
Transportation	200,147	223,998	129,794	184,492
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	39,870	179,725	88,296	77,329
AEA flowthrough	87,859	87,165	99,999	99,914
Total	\$ 2,414,371	\$ 2,536,609	\$ 2,394,351	\$ 2,491,570

See accompanying independent auditor's report.

Schedule 6

Modified Accrual Basis					
Years Ended June 30					
2009	2008	2007	2006	2005	2004
\$ 1,408,106	\$ 1,230,310	\$ 1,305,277	\$ 1,396,406	\$ 1,473,703	\$ 1,394,872
31,998	30,768	34,517	28,717	38,946	27,342
68,746	126,989	116,555	89,256	94,918	130,910
820,802	1,023,371	893,327	962,707	1,082,874	1,044,191
63,808	78,936	82,156	174,935	156,744	211,949
\$ 2,393,460	\$ 2,490,374	\$ 2,431,832	\$ 2,652,021	\$ 2,847,185	\$ 2,809,264
\$ 1,339,388	\$ 1,447,205	\$ 1,005,780	\$ 1,161,357	\$ 1,220,301	\$ 1,154,228
249,463	257,361	336,269	345,814	368,136	356,156
119,572	61,670	48,227	44,927	16,314	314,617
19,329	20,243	70,828	59,567	59,620	90,614
15,331	22,825	27,507	30,611	52,441	44,518
234,446	240,344	217,774	189,727	222,877	265,466
181,889	205,299	169,862	166,508	180,753	208,378
138,111	133,017	137,272	180,028	165,875	70,034
-	-	-	-	-	1,046
104,418	182,499	103,279	66,033	51,174	58,795
90,398	89,973	86,360	84,489	86,066	88,365
\$ 2,492,345	\$ 2,660,436	\$ 2,203,158	\$ 2,329,061	\$ 2,423,557	\$ 2,652,217



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Albert City-Truesdale Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Albert City-Truesdale Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albert City-Truesdale Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albert City-Truesdale Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and Albert City-Truesdale, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Albert City-Truesdale Community School District's Responses to Findings

Albert City-Truesdale Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Albert City-Truesdale Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Albert City-Truesdale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 7, 2014

Albert City-Truesdale Community School District

Albert City-Truesdale Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-13 Accounting Records: Non-routine journal entry adjustments can be made without review and approval by a responsible official.

Recommendation: The District should develop a process for making adjustments to accounting records. All adjustments should be adequately explained and supported. Adjustments should be reviewed and approved by a responsible official.

District Response: Procedures are being changed to ensure adjustments will be approved by responsible officials.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Part III: Other Findings Related To Required Statutory Reporting:

III-A-13 Certified Budget: Expenditures for the year ended June 30, 2013 did not exceed the certified budget amounts.

III-B-13 Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-13 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-13 Business Transactions: No business transactions between the District and District officials or employees were noted.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-E-13 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-13 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- III-G-13 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- III-H-13 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.
- III-I-13 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- III-J-13 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- III-K-13 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Part III: Other Findings Related To Required Statutory Reporting (Continued):

- III-L-13 Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. District are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2013, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$	823,127
Statewide sales, services and use tax			<u>189,181</u>
			1,012,308
Expenditures/transfers out:			
School infrastructure:			
Buildings and building improvements	\$	22,162	
Equipment		52,139	
Other		<u>36,919</u>	<u>111,220</u>
Ending balance		\$	<u><u>901,088</u></u>

- III-M-13 Electronic Check Retention: Chapter 554D.14 of the Code of Iowa allows the District to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation: The District should retain an image of both the front and back of each cancelled check as required.

Response: The District will talk to the bank to obtain both the front and back of each cancelled checks as requested.

Conclusion: Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Albert City-Truesdale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schnurr & Company, LLP

Fort Dodge, Iowa
January 7, 2014